



2005 FLEXIBLE BENEFITS PLAN

Value Life's Benefits

Commonwealth of Kentucky • Personnel Cabinet
Office of Public Employee Health Insurance

2005 Reference Guide

EMPLOYER	AGENCY	HOURS	PHONE /WEB ADDRESS
Commonwealth of Kentucky	Personnel Cabinet Office of Public Employee Health Insurance Member Services Branch	M - F 7:30 a.m. - 5:30 p.m. ET	1-888-581-8834 1-502-564-6534 http://personnel.ky.gov/opehi.htm

COMPANY	DEPARTMENT	HOURS	PHONE /WEB ADDRESS
Fringe Benefits Management Company (Flexible Spending Accounts)	FBMC Customer Service Automated Services	M - F 7 a.m. - 10 p.m. ET 24 hours a day	1-800-342-8017 1-800-865-FBMC (3262) www.fbmc-benefits.com

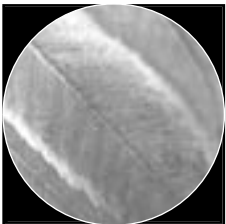
Table of Contents

<u>Enrollment at a Glance</u>	<u>3</u>
<u>Getting Answers</u>	<u>4</u>
<u>Eligibility Requirements</u>	<u>5</u>
<u>Appeal Process</u>	<u>5</u>
<u>Flexible Spending Accounts</u>	<u>6</u>
<u>EZ REIMBURSE® for Rx Only Card</u>	<u>8</u>
<u>Medical Expense FSA</u>	<u>9</u>
<u>Dependent Care FSA</u>	<u>11</u>
<u>FSA Worksheets</u>	<u>13</u>
<u>Employer Contribution</u>	<u>14</u>
<u>Changing Your Coverage</u>	<u>15</u>
<u>COBRA Q&A</u>	<u>17</u>
<u>Beyond Your Benefits</u>	<u>19</u>

IMPORTANT DATES TO REMEMBER

Your Open Enrollment dates are:
September 27, 2004, through October 15, 2004.

Your Period of Coverage dates are:
January 1, 2005, through December 31, 2005.



Flexible Spending Account (FSA) Highlights

- FBMC offers valuable FSA enhancements to make using your FSA easier. Direct Deposit, Interactive Benefits, Online Access, and the EZ REIMBURSE® for Rx Only Card — a card that functions like a debit card to access your Medical Expense FSA funds for prescriptions — are available for your convenience.
- You may enroll in Direct Deposit to ensure that your FSA reimbursement checks are automatically deposited into your checking or savings account. See Page 6 for more details.
- Interactive Benefits provides automated telephone service to help you access your FSA information by phone. See Page 4 for more information.
- You may also visit FBMC's Web site to download forms, view your FSA balance and transaction history, and more. See Page 4 for more online access information.

Important Reminders

- See Page 9 for a Partial List of Eligible Expenses.
- Medical and Dependent Care FSAs are pre-tax accounts.
- Enrollment into an FSA is not automatic; you must complete an application annually.
- Employer contributions are for Medical FSAs only. There is no employer contribution for Dependent Care FSAs.
- You have a 90 day grace period (until March 31, 2006) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2005 Plan Year. This also applies to those who retire or terminate before the plan year ends. These members will only be allowed to submit claims for services provided from the effective date of coverage until their termination date.
- A **Letter of Medical Need** is required for many dental and medical issues. Please contact FBMC Customer Service at 1-800-342-8017 or TDD 1-800-955-8771 for more information.
- A **spouse's differing open enrollment period** at their place of employment is **not a qualifying event** that allows you to start, stop, or make changes to an existing FSA.
- If you waive health insurance coverage and would like to participate in an FSA, you will need to complete Sections I, II (#2), VI, and VII of your Health Insurance/FSA enrollment application.
- If you waive health insurance coverage and wish to direct the employer contribution to a Medical Expense FSA, the maximum employer contribution for the 2005 Plan Year will be \$100 per month.
- If you wish to receive the EZ REIMBURSE® Card, please be sure to check the box on the Health Insurance/FSA enrollment application.



Getting answers to many of your benefit questions is now easier than ever. FBMC Customer Service offers you a variety of resources to make inquiries on your Flexible Spending Account, including information from the FBMC Web site, Interactive Voice Response system or Customer Service.

FBMC Web Site

FBMC's Web site provides information regarding your benefits and comprehensive details on your Flexible Spending Account(s).

By entering **www.fbmc-benefits.com** into your Internet browser, you will open FBMC's homepage. Answers to many of your benefit questions can be obtained by using the following navigational tabs located along the top portion of the home page.

Account Information

When you select the '**Account Information**' tab, you'll be prompted to enter your Social Security number and Personal Identification Number (PIN). After this login, the following menu items will be available to you.

- **My Benefits**— includes information on current benefits, such as effective date, number of deductions and pre-tax annual contribution
- **My Account Transactions**— allows review of transactions from your current and previous plan years, including grace period information
- **Account Balance**— gives specifics about account availability, paid amounts and payment status
- **My Claims**— provides information on open and current reimbursement claims such as date received, status and amount authorized
- **Change In Status**— enables confirmation of request status, date received and effective date
- **EZ REIMBURSE® Card Pharmacy Locator**— locate a participating pharmacy in your area. You can then confirm that the pharmacy participates with your health plan.
- **Tax Savings Analysis**— calculates potential per-pay-period and annual tax savings as well as long-term savings (no login required)

Downloading Forms

When you select the '**Download Forms**' tab, a choice of forms, including a Letter of Medical Need, FSA Reimbursement Request Claim Form and Direct Deposit Form, are posted for your convenience.

Frequently Asked Questions

The '**Frequently Asked Questions**' tab provides answers to many of your general questions regarding Flexible Spending Accounts and enrollment information.

FBMC Customer Service

The '**Customer Service**' tab gives you a direct link to the FBMC Customer Service Center.

FBMC Interactive Benefits

FBMC's 24-hour automated phone system, Interactive Voice Response (IVR), can be reached by calling 1-800-865-FBMC (3262). This system allows you to access your benefits any time. By following the voice prompts, you can find out a great deal of information about your benefits.

- Current Account Balance(s)
- Claim Status
- Mailing Address Verification
- Obtain FSA Reimbursement Request Claim Forms
- Change Your PIN

Personal Identification Number (PIN)

To access both the FBMC Web site and the Interactive Voice Response (IVR) system, all you need is your Social Security number (SSN). The last four digits of your SSN will be your first PIN, whether using the Web site or the IVR system. After your initial login, select your own confidential four-digit PIN to access both systems in the future. Your new PIN cannot be the last four digits of your SSN, as it was previously. If you forget your PIN, you may send an e-mail to a Customer Service Representative at **webcustomerservice@fbmc-benefits.com**. Once you've selected your new PIN, you may access information about your benefits.



Record PIN here.

Remember, this will be your PIN
for both Web and IVR access.

Note: Please be sure to keep this Reference Guide in a safe, convenient place, and refer to it for benefit information.

When does my period of coverage begin?

Current Employees: Your period of coverage is January 1 through December 31, 2005. See Page 15 for information about changing your coverage.

New Employees: If you are a new employee, your period of coverage begins on the first day of the second month following your date of hire. If you do not complete a form during this initial eligibility period, you must wait until the next annual Open Enrollment or until you experience a valid Change in Status (see Page 15).

Who is eligible to enroll in the Flexible Benefits Plan?

Active Kentucky State Government employees who are eligible for state-sponsored health insurance coverage.

Who are eligible dependents?

Eligible dependents include:

- your legal spouse;
- your own unmarried children;
- stepchildren and legally adopted children (provided they reside in your household and primarily depend on you for support); and
- children for whom you have been appointed legal guardian.

How will retiring affect my eligibility?

According to federal and state law in the case of group health benefits, if you participated in a Medical Expense FSA during the plan year, you can choose to continue your Medical Expense FSA coverage under COBRA, if you experience a triggering qualifying event under COBRA laws. At the end of the plan year in which the COBRA-qualifying event occurred, however, your Medical Expense FSA coverage will be canceled (See Page 17 for further details).

Appeal Process

If you have an FSA reimbursement claim, or other similar request denied, in full or in part, you have the right to appeal the decision by sending a written request to FBMC for review.

Your appeal must state:

- why you think your request should not have been denied;
- the name of your employer;
- the date of the services for which your request was denied;
- a copy of the denied request;
- the denial letter you received; and
- any additional documents, information or comments you think may have a bearing on your appeal.

PLEASE NOTE: Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.

Change In Status (Qualifying Event)

You may be able to change your current election and make a new election mid-year if you experience an eligible qualifying event. Most qualifying events that allow you to make a change in your Health Insurance may now permit you to make a change in your Medical Expense FSA. Contact your Health Insurance Coordinator or the Office of Public Employee Health Insurance (OPEHI) at 1-888-581-8834.

The IRS requires your enrollment in Commonwealth Choice to continue for the entire plan year, which is January 1, through December 31. However you can modify your contributions to the **Dependent Care Spending Account** if you experience a valid Family Status Change: e.g., marriage; divorce; dependent's birth, death, adoption, or ineligibility; spouse's change in employment; employee's termination of employment; unpaid leave of absence; or other related change.

If you experience a Family Status Change, you **MUST** complete the appropriate form provided by the OPEHI — along with documentation to your Insurance Coordinator **within 30 days** of the change. The Office of Public Employee Health Insurance will review your Family Status Change.

IMPORTANT: Mid-year election changes may be made to the Medical Expense FSA for most qualifying events that allow you to make a change in your Health Insurance. If you experience one of these events, you may be allowed to make a change in the amount of contribution (employer and/or participant) to your account.



What is a Flexible Spending Account?

Fringe Benefits Management Company (FBMC) provides you with IRS tax-favored Flexible Spending Accounts (FSAs) to stretch your medical expense and dependent care dollars.

Flexible Spending Accounts feature:

- IRS-approved reimbursement of eligible expenses tax free
- per-pay-period deposits from your pre-tax salary
- savings on income and Social Security taxes and
- security of paying anticipated expenses with your FSA.

Is an FSA right for me?

If you spend money on recurring eligible expenses during your plan year, you may save money by paying for them with an FSA. A portion of your salary is deposited into your FSA each pay period.

- You decide the amount you want deposited.
- You are reimbursed for eligible expenses before income and Social Security taxes are deducted.
- You save income and Social Security taxes each time you receive wages.
- Determine your potential savings with a Tax Savings Analysis at www.fbmc-benefits.com/customer/taxanalysis.asp.

What types of FSAs are available?

Your employer offers you a Medical Expense FSA as well as a Dependent Care FSA. If you incur both types of expenses during a plan year, you can establish both types of FSAs.

Medical Expense FSAs

Medical expenses not covered by your insurance plan may be eligible for reimbursement using your Medical Expense FSA, including:

- birth control pills,
- eyeglasses, and
- orthodontia.

Dependent Care FSAs

Dependent care expenses, whether for a child or an elder, include any expense that allows you to work, such as:

- day care services,
- in-home care,
- nursery and preschool, and
- summer day camps.

Refer to the *Medical Expense FSA* and *Dependent Care FSA* sections of this Reference Guide for specifics on each type of FSA.

Receiving Reimbursement

Your reimbursement will be processed within five business days from the time FBMC receives your properly completed and signed FSA Reimbursement Request Form. To avoid delays, follow the instructions for submitting your requests located in the FSA materials you will receive following enrollment.

Direct Deposit

Enroll in Direct Deposit to expedite the time of your reimbursement.

- FSA reimbursement funds are automatically deposited into your checking or savings account.
- There is no fee for this service.
- You don't have to wait for postal service delivery of your reimbursement (however, you will receive notification that the claim has been processed).

To apply, complete the Enrollment Form available from your **Enrollment Counselor**, visit www.fbmc-benefits.com or call FBMC Customer Service at 1-800-342-8017. Please note that processing your Direct Deposit enrollment may take between four to six weeks.

Where can I get information about FSAs?

If you have specific questions about FSAs, contact FBMC Customer Service.

- Visit www.fbmc-benefits.com.
- E-mail webcustomerservice@fbmc-benefits.com.
- Call 1-800-342-8017 (Monday-Friday, 7 a.m.-10 p.m. ET).

Please note that due to the privacy policies of the Health Insurance Portability and Accountability Act (HIPAA), FBMC, and the OPEHI, we will not discuss your account information with others without your verbal or written authorization.

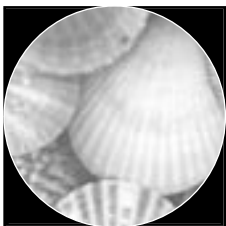
FSA Savings Example*

\$31,000	Annual Gross Income	\$31,000
<u>- 5,000</u>	FSA Deposit for Recurring Expenses	<u>- 0</u>
\$26,000	Taxable Gross Income	\$31,000
<u>- 5,889</u>	Federal, Social Security Taxes	<u>-7,021</u>
\$20,111	Annual Net Income	\$23,979
<u>- 0</u>	Cost of Recurring Expenses	<u>-5,000</u>
\$20,111	Spendable Income	\$18,979

By using an FSA to pay for anticipated recurring expenses, you convert the money you save in taxes to additional spendable income. That's a potential annual savings of

\$1,132!

* Based upon a 22.65% tax rate (15% federal and 7.65% Social Security) calculated on a calendar year



FSA Guidelines:

1. The IRS does not allow you to pay your medical or other insurance premiums through either type of FSA. Refer to the "Written Certification" portion of the *Beyond Your Benefits* section of this Reference Guide for more specifics.
2. You cannot transfer money between FSAs or pay a dependent care expense from your Medical Expense FSA or vice versa.
3. You have a 90-day grace period (until March 31, 2006) at the end of the plan year for reimbursement of eligible FSA expenses incurred during your period of coverage within the 2005 Plan Year.
4. You may not receive insurance benefits or any other compensation for expenses which are reimbursed through your FSAs.
5. You cannot deduct reimbursed expenses for income tax purposes.
6. You may not be reimbursed for a service which you have not yet received.
7. Be conservative when estimating your medical and/or dependent care expenses for the 2005 Plan Year. **IRS regulations state that any unused funds which remain in your FSA after a plan year ends and all reimbursable requests have been submitted and processed cannot be returned to you nor carried forward to the next plan year.**

What documentation of expenses do I need to keep?

The IRS requires FSA customers to maintain complete documentation, including keeping copies of receipts for reimbursed expenses, for a minimum of one year.

How do I get the forms I need?

To obtain forms you will need after enrolling in either a Medical Expense or Dependent Care FSA, such as an FSA Reimbursement Request Form, Letter of Medical Need or Direct Deposit Form, you can visit FBMC's Web site, **www.fbmc-benefits.com**, or call FBMC Customer Service at 1-800-342-8017. For more information, refer to the *Getting Answers* section of this Reference Guide.

Will contributions affect my income taxes?

Salary reductions made under a cafeteria plan, including contributions to one or both FSAs, will lower your taxable income and taxes. These reductions are one of the money-saving aspects of starting an FSA. Depending on the state, additional state income tax savings or credits may also be available. Your salary reductions will reduce earned income for purposes of the federal Earned Income Tax Credit (EITC).

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information.



8 EZ REIMBURSE® for Rx Only Card

The EZ REIMBURSE® Card electronically debits funds from your Medical Expense FSA when an eligible, uninsured Rx expense is incurred.

Much like other debit cards, there is no risk of overspending. If funds are not available, the transaction is denied. Because no credit is being extended, cards are available to anyone who signs up for a Medical Expense Flexible Spending Account.

About 50 percent of all FSA medical claims are for prescription drugs. FBMC and its partners developed a system enabling online, real-time, adjudication of prescription drug claims. When you present the card at participating pharmacies to buy a prescription drug or to pay the prescription co-pay, your FSA account is automatically debited. There are no claim forms or receipts to send.

How do I get a EZ REIMBURSE® Card?

When you sign up for a Medical Expense FSA, you will have the option to elect the EZ REIMBURSE® Card on the Health Insurance/FSA enrollment application. **You must check the box on the Health Insurance/FSA enrollment application in order to elect the EZ REIMBURSE® Card.**

If you receive the EZ REIMBURSE® Card but did not elect it on your Health Insurance/FSA enrollment application, you must contact the OPEHI prior to January 31, 2005 to have the \$6 annual fee credited to your account.

For additional information regarding the EZ REIMBURSE® Card, call FBMC Customer Service at 1-800-342-8017, Monday through Friday, 7 a.m. - 10 p.m. ET.

What does it cost to use the EZ REIMBURSE® Card?

There is a \$6 annual fee that is automatically deducted from your Medical Expense FSA, when you receive your EZ REIMBURSE® Card. There is a \$0.50 fee for each transaction. Each prescription counts as one transaction. For example, if you fill two prescriptions in one visit to the pharmacist, you will be assessed \$1.00 in transaction fees -- one \$0.50 transaction fee per prescription. (When you budget for your FSA deductions, you may want to consider these fees in your calculations.)

Visit www.fbmc-benefits.com for a list of frequently asked questions and to view participating pharmacies.

You must keep your receipts for a minimum of one year and submit to FBMC upon request.

When do I use paper claim forms?

If your pharmacy does not accept the EZ REIMBURSE® Card or for eligible expenses, you must submit a paper claim. You will need to file a reimbursement request form, attach your receipts and wait for the reimbursement. To shorten the wait, you can apply for direct deposit and speed up your reimbursement.

What should I do if my pharmacist doesn't know how to use the card?

For questions of assistance, your provider/pharmacist may contact the Pharmacy Help Desk at 1-800-361-4542 (M - F 8 a.m. - 9 p.m., Sat. 9 a.m. - 5 p.m., Sun. 12 p.m. - 5 p.m. EST). Contact information for your pharmacist is also on your EZ REIMBURSE® Card.

What do I do if I lose my card?

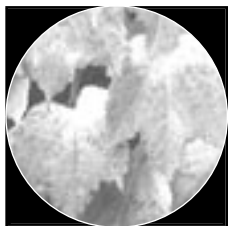
If your card is lost or stolen, call 1-800-361-4542 immediately.

What should I do if I believe a transaction was made in error?

To dispute a transaction you believe is incorrect, call 1-800-361-4542.

What are the advantages of the EZ REIMBURSE® Card?

- Instant reimbursements – cash-free transactions!
- Paperless prescription medication purchases – instant claims adjudication
- You save taxes by participating in an MFSA account
- Only a \$6 annual fee (automatically deducted from your MFSA)
- Only a \$0.50 transaction fee



Minimum Deposit: \$5 per paycheck
Maximum Deposit: \$120 per paycheck

What is a Medical Expense FSA?

A Medical Expense FSA is an IRS tax-favored account you can use to pay for your eligible medical expenses not covered by your insurance or any other plan. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

Your Medical Expense FSA may be used to reimburse eligible expenses incurred by:

- yourself
- your spouse and
- your tax dependents.

To qualify as your tax dependent, an individual must:

- be your relative, or
- live with you for the entire calendar year if not your relative.

In either case, the individual must also be:

- a U.S. citizen or a resident of the U.S., Mexico or Canada and
- the recipient of at least half of their total support and/or expenses during the calendar year from you.

An eligible child of divorced parents is treated as a dependent of both, so either or both parents can establish a Medical Expense FSA.

When are my funds available?

Once you sign up for a Medical Expense FSA and decide how much to contribute, the maximum annual amount of reimbursement for eligible health care expenses will be available throughout your period of coverage.

Since you don't have to wait for the cash to accumulate in your account, you can use it to pay for your eligible health care expenses at the start of your deductions.

Are prescriptions eligible for reimbursement?

Yes, most filled prescriptions are eligible for Medical Expense FSA reimbursement, as long as you properly substantiate the expense. Proper submission of the reimbursement request is needed to ensure that the drug is eligible for reimbursement. The IRS requires the complete name of all medicines and drugs be obtained and documented on pharmacy receipts (including prescription number, date(s) of service, and total dollar amount). This information must be included when submitting your request to FBMC for reimbursement.

Partial List of Medically Necessary Eligible Expenses*

Acupuncture
 Ambulance service
 Birth control pills and devices
 Chiropractic care
 Contact lenses (corrective)
 Dental fees
 Diagnostic tests/health screening
 Doctor fees
 Drug addiction/alcoholism treatment
 Drugs
 Experimental medical treatment
 Eyeglasses
 Guide dogs
 Hearing aids and exams
 Injections and vaccinations
 In vitro fertilization
 Nursing services
 Optometrist fees
 Orthodontic treatment
 Prescription drugs to alleviate nicotine withdrawal symptoms
 Smoking cessation programs/treatments
 Surgery
 Transportation for medical care
 Weight-loss programs/meetings
 Wheelchairs
 X-rays

Note: Budget conservatively. No reimbursement or refund of Medical Expense FSA funds is available for services that do not occur within your plan year.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Can travel expenses for medical care be reimbursed?

Travel expenses primarily for, and essential to, receiving medical care, including health care provider and pharmacy visits, may be reimbursable through your Medical Expense FSA. With proper substantiation, eligible expenses can include:

- actual round-trip mileage
- parking fees
- tolls and
- transportation to another city.



Is orthodontic treatment reimbursable?

Orthodontic treatment designed to treat a specific medical condition is reimbursable if the proper documentation is attached to the initial FSA Reimbursement Request Form each plan year:

- a written statement from the treating dentist/orthodontist showing the type and date the service incurred, the name of the eligible individual receiving the service and the cost for the service
- a Letter of Medical Need from the treating dentist/orthodontist and
- a copy of the patient's contract with the dentist/orthodontist for the orthodontia treatment.

Reimbursement of the full or initial payment amount may only occur during the plan year in which the braces are first installed. For reimbursement options available under your employer's plan, including care that extends beyond one or more plan years, refer to the information provided following your enrollment, or call FBMC Customer Service at 1-800-342-8017.

Should I claim my expenses on IRS Form 1040?

With a Medical Expense FSA, the money you set aside for health care expenses is deducted from your salary before taxes. It is always tax free, regardless of the amount. By enrolling in a Medical Expense FSA, you guarantee your savings.

Itemizing your health care expenses on your IRS Form 1040 may give you a different tax advantage, depending on their percentage of your adjusted gross income. You should consult a tax professional to determine which avenue is right for you.

Are some expenses ineligible?

Expenses not eligible for reimbursement through your Medical Expense FSA include:

- insurance premiums
- vision warranties and service contracts and
- cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition.

When do I request reimbursement?

You may use your Medical Expense FSA to reimburse eligible expenses after you have sought (and exhausted) all means of reimbursement provided by your employer and any other appropriate resource. Also keep in mind that some eligible expenses are reimbursable on the date available, not the date ordered.

How do I request reimbursement?

Requesting reimbursement from your Medical Expense FSA is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with the following:

- a receipt, invoice or bill from your health care provider listing the date you received the service, the cost of the service, the specific type of service and the person for whom the service was provided and
- an Explanation of Benefits (EOB)* from your health insurance provider that shows the specific type of service you received, the date and cost of the service and any uninsured portion of the cost and
- a written statement from your health care provider indicating the service was medically necessary if those services could be deemed cosmetic in nature, accompanied by the receipt, invoice or bill for the service.

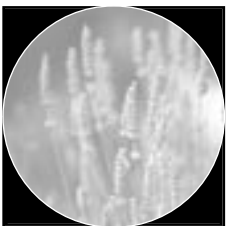
Mail to: Contract Administrator
Fringe Benefits Management Company
P.O. Box 1800
Tallahassee, FL 32302-1800

Fax to: 850-425-4608

* EOBs are not required if your coverage is through a HMO.

Please complete a Medical Needs Letter at the beginning of the plan year for all prescription drugs that require it and submit to FBMC.

Visit www.fbmc-benefits.com for this form.



Minimum Deposit: \$5 per paycheck

Maximum Deposit: The maximum contribution depends on your tax filing status as the list below indicates.

What is a Dependent Care FSA?

A Dependent Care FSA is an IRS tax-favored account you can use to pay for your eligible dependent care expenses to ensure your dependents (child or elder) are taken care of while you and your spouse (if married) are working. These funds are set aside from your salary before taxes are deducted, allowing you to pay your eligible expenses tax free. A partial list of these eligible expenses can be found on this page.

Whose expenses are eligible?

Under the Dependent Care FSA, you may be reimbursed for eligible dependent care expenses incurred by individuals residing in your household for at least eight hours a day including:

- children 12 years or younger and
- adults/children mentally or physically incapable of self-care.

What is my maximum annual deposit?

- If you are married and filing separately, your maximum annual deposit is \$2,500.
- If you are single and head of household, your maximum annual deposit is \$5,000.
- If you are married and filing jointly, your maximum annual deposit is \$5,000.
- If either you or your spouse earn less than \$5,000 a year, your maximum annual deposit is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.

When are my funds available?

Once you sign up for a Dependent Care FSA and decide how much to contribute, the funds available to you depend on the actual funds in your account. Unlike a Medical Expense FSA, the entire maximum annual amount is not available during the plan year, but rather after your payroll deductions are received.

Partial List of Eligible Expenses*

After school care
Baby-sitting fees
Day care services
In-home care/au pair services
Nursery and preschool
Summer day camps

Note: Budget conservatively. No reimbursement or refund of Dependent Care FSA funds is available for services that do not occur within your plan year.

* IRS-qualified expenses are subject to federal regulatory change at any time during a tax year. Certain other substantiation requirements and restrictions may apply, and will be supplied to you following enrollment.

Should I claim tax credits or exclusions?

Since money set aside in your Dependent Care FSA is always tax free, you guarantee savings by paying for your eligible expenses through your IRS tax-favored account. Depending on the amount of income taxes you are required to pay, participation in a Dependent Care FSA may produce a greater tax benefit than claiming tax credits or exclusions alone.

Remember, you cannot use the dependent care tax credit if you are married and filing separately. Further, any dependent care expenses reimbursed through your Dependent Care FSA cannot be filed for the dependent care tax credit, and vice versa.

To help you choose between the available taxable and tax-free benefits, or a combination of both, consult your tax advisor and/or the IRS for additional information. You may also visit **www.fbmc-benefits.com** to complete a Tax Savings Analysis.

Are some expenses ineligible?

Expenses not eligible for reimbursement through your Dependent Care FSA include:

- books and supplies
- child support payments or child care if you are a non-custodial parent
- health care or educational tuition costs and
- services provided by your dependent, your spouse's dependent or your child who is under age 19.



Will I need to keep any additional documentation?

To claim the income exclusion for dependent care expenses on IRS Form 2441 (Child and Dependent Care Expenses), you must be able to identify your dependent care provider. If your dependent care is provided by an individual, you will need their Social Security number for identification, unless he or she is a resident or non-resident alien who does not have a Social Security number. If your dependent care is provided by an establishment, you will need its Taxpayer Identification number.

If you are unable to obtain a dependent care provider's information, you must compose a written statement that explains the circumstances and states that you made a serious and earnest effort to get the information. This statement must accompany your IRS Form 2441.

When do I request reimbursement?

You can request reimbursement from your Dependent Care FSA as often as you like. However, your approved expense will not be reimbursed until the last date of service for which you are requesting reimbursement has passed. Also, remember that for timely processing of your reimbursement, your payroll contributions must be current.

Be certain you obtain and submit all needed information when requesting reimbursement from your Dependent Care FSA. This information is required with each request for reimbursement.

A properly completed request will help speed along the process of your reimbursement, allowing you to receive your check or Direct Deposit promptly.

How do I request reimbursement?

Requesting reimbursement from your Dependent Care FSA is easy. Simply mail or fax a correctly completed FSA Reimbursement Request Form along with receipts showing the following:

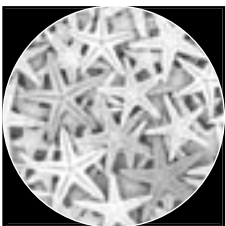
- the name, age and grade of the dependent receiving the service
- the cost of the service
- the name and address of the provider and
- the beginning and ending dates of the service.

Be certain you obtain and submit the above information when requesting reimbursement from your Dependent Care FSA. This information is required with each request for reimbursement.

Mail to: Contract Administrator
Fringe Benefits Management Company
P.O. Box 1800
Tallahassee, FL 32302-1800

Fax to: 850-425-4608

Note: If you elect to participate in the Dependent Care FSA, or if you file for the Dependent Care Tax Credit, you must attach IRS Form 2441, reflecting the information above, to your 1040 income tax return. Failure to do this may result in the IRS denying your pre-tax exclusion.



To figure out how much to deposit in your FSA, refer to the following worksheets. Calculate the amount you expect to pay during the plan year for eligible, uninsured out-of-pocket medical and/or dependent care expenses. This calculated amount cannot exceed established IRS and plan limits. (Refer to the individual FSA descriptions in this Reference Guide for limits.)

Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year.

MEDICAL EXPENSE FSA WORKSHEET

Estimate your eligible, uninsured out-of-pocket medical expenses for the plan year.

UNINSURED MEDICAL EXPENSES

Health insurance deductibles \$ _____

Coinsurance or co-payments \$ _____

Vision care \$ _____

Dental care \$ _____

Prescription drugs \$ _____

Travel costs for medical care \$ _____

Other eligible expenses \$ _____

EZ REIMBURSE® Card annual, non-refundable fee \$ _____

TOTAL (cannot exceed \$2,880) \$ _____

DIVIDE by the number of paychecks you will receive during the plan year (12, 24).* \$ _____

This is your pay period contribution. \$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

DEPENDENT CARE FSA WORKSHEET

Estimate your eligible dependent care expenses for the plan year. Remember that your calculated amount cannot exceed the calendar year limits established by the IRS.

CHILD CARE EXPENSES

Day care services \$ _____

In-home care/au pair services \$ _____

Nursery and preschool \$ _____

After school care \$ _____

Summer day camps \$ _____

ELDER CARE SERVICES

Day care center \$ _____

In-home care \$ _____

TOTAL Remember, your total contribution cannot exceed IRS limits for the plan year and calendar year. \$ _____

DIVIDE by the number of paychecks you will receive during the plan year (12, 24).* \$ _____

This is your pay period contribution. \$ _____

* If you are a new employee enrolling after the plan year begins, divide by the number of pay periods remaining in the plan year.

At your request, your FSA reimbursement checks may be deposited into your checking or savings account by enrolling in Direct Deposit.

Please remember to include all applicable fees (\$6 annual fee and \$0.50 fee for each transaction) to your Medical Expense FSA contribution if you plan to use your EZ REIMBURSE® Card as a form of payment.



You may be eligible for an Employer Contribution toward your Medical Flexible Spending Account. If you waive your health insurance coverage and wish to direct the employer contribution to a Medical Expense FSA, the maximum employer contribution will be \$100 per month.

If you elect to waive your health insurance coverage and place your state contribution into a Medical Expense FSA, you must fill out Sections I, II (#2), VI, and VII of the Health Insurance/FSA application. You must turn in the completed application to your Insurance Coordinator. **Enrollment is NOT automatic. Your participation will not “roll over” from one year to the next.**

Note: the Dependent Care Account is not eligible for an employer contribution.



Am I permitted to make mid-plan year election changes?

Under some circumstances, your employer's plan(s) and the IRS may permit you to make a mid-plan year election change to your FSA election, depending on the qualifying event and requested change.

Note: An event that may permit a change in your health insurance may not support a change in your Medical Expense FSA.

How do I make a change?

You can change your Flexible Spending Account (FSA) election(s), or vary the salary reduction amounts you have selected during the plan year, only under limited circumstances as provided by your employer's plan(s) and established IRS guidelines. Partial lists of permitted and not permitted qualifying events under your employer's plan(s) appear on the following page. Election changes must be consistent with the event. Your employer will in its sole discretion, review on a uniform and consistent basis, the facts and circumstances of each properly completed and timely submitted mid-plan year election change form. To see a complete list of permitted and not permitted qualifying events, please contact your Insurance Coordinator or the OPEHI Member Services Branch.

To Make a Change: Within **30 days** of an event that is consistent with one of the events on the following page, you must complete and submit the applicable form to your Insurance Coordinator. Upon the approval and completion of processing your election change request, your existing FSA(s) elections will be stopped or modified (as appropriate). Generally, mid-plan year, pre-tax election changes can only be made prospectively, no earlier than the first payroll after your election change request has been received by your employer, unless otherwise provided by law.

What is my Period of Coverage?

Your period of coverage for incurring expenses is your full plan year, unless you make a permitted mid-plan year election change. A mid-plan year election change will result in split periods of coverage, creating more than one period of coverage within a plan year with expenses reimbursed from the appropriate period of coverage. Money from a previous period of coverage can be combined with amounts after a permitted mid-plan year election change. However, expenses incurred before the permitted election change can only be reimbursed from the amount of the balance present in the FSA prior to the change. Mid-plan year election changes are approved only if the extenuating circumstances and supporting documentation are within your employer's, insurance provider's and IRS regulations governing the plan.

Grievance Procedure

If your FSA election change request is denied, you will have **30 days**, from the date you receive the denial, to file a grievance with the OPEHI.

- Any employee who is dissatisfied with a decision regarding enrollment in the FSA program may file a grievance with the OPEHI Grievance Committee.
- Grievances must be filed in writing to the OPEHI Grievance Committee, 200 Fair Oaks Lane, Suite 502, Frankfort, KY 40601.
- A grievance must include all of the following items:
 - your name, Social Security number and agency;
 - a statement specifically describing the issue(s) disputed by the employee;
 - a statement of the resolution requested by the employee;
 - all other relevant information; and
 - any supporting documentation.
- Any grievance that does not include all necessary information will be returned to the employee without review.
- A written response will be mailed to the employee and the Insurance Coordinator stating the decision of the Grievance Committee.
- The Committee will not review a second request unless additional relevant facts are provided.

What are the IRS Special Consistency Rules governing Changes in Status?

1. **Loss of Dependent Eligibility**– If a change in your marital or employment status involves a decrease or cessation of your spouse's or dependent's eligibility requirements for coverage due to: your divorce, or annulment from your spouse, your spouse's or dependent's death or a dependent ceasing to satisfy eligibility requirements, you may decrease or cancel coverage only for the individual involved. You cannot decrease or cancel any other individual's coverage under these circumstances.
2. **Gain of Coverage Eligibility Under Another Employer's Plan**– If you, your spouse or your dependent gains eligibility for coverage under another employer's plan as a result of a change in marital or employment status, you may cease or decrease that individual's coverage if that individual gains coverage, or has coverage increased under the other employer's plan.
3. **Dependent Care Expenses**– You may change or terminate your Dependent Care FSA election when a Change in Status (CIS) event affects (i) eligibility for coverage under an employer's plan, or (ii) eligibility of dependent care expenses for the tax exclusion available under IRC § 129.



Changes in Status:

Marital Status	A change in marital status includes marriage, death of a spouse, divorce or annulment (legal separation is not recognized in all states).
Change in Number of Tax Dependents	A change in number of dependents includes the following: birth, death, adoption and placement for adoption. You can add existing dependents not previously enrolled whenever a dependent gains eligibility as a result of a valid CIS event.
Change in Status of Employment Affecting Coverage Eligibility	Change in employment status of the employee, or a spouse or dependent of the employee, that affects the individual's eligibility under an employer's plan includes commencement or termination of employment.
Gain or Loss of Dependents' Eligibility Status	An event that causes an employee's dependent to satisfy or cease to satisfy coverage requirements under an employer's plan may include change in age, student, marital, employment or tax dependent status.
Change in Residence*	A change in the place of residence of the employee, spouse or dependent that affects eligibility to be covered under an employer's plan includes moving out of an HMO service area.

Some Other Permitted Changes:

Coverage and Cost Changes*	Your employer's plans may permit election changes due to cost or coverage changes. You may make a corresponding election change to your Dependent Care FSA benefit whenever you actually switch dependent care providers. However, if a relative (who is related by blood or marriage) provides custodial care for your eligible dependent, you cannot change your salary reduction amount solely on a desire to increase or decrease the amount being paid to that relative.
Open Enrollment Under Other Employer's Plan*	You may make an election change when your spouse or dependent makes an Open Enrollment Change in coverage under their employer's plan if they participate in their employer's plan and: <ul style="list-style-type: none"> • the other employer's plan has a different period of coverage (usually a plan year) or • the other employer's plan permits mid-plan year election changes under this event.
Judgment/Decree/Order†	If a judgment, decree or order from a divorce, legal separation (if recognized by state law), annulment or change in legal custody requires that you provide accident or health coverage for your dependent child (including a foster child who is your dependent), you may change your election to provide coverage for the dependent child. If the order requires that another individual (including your spouse and former spouse) covers the dependent child and provides coverage under that individual's plan, you may change your election to revoke coverage only for that dependent child and only if the other individual actually provides the coverage.
Medicare/Medicaid†	Gain or loss of Medicare/Medicaid coverage may trigger a permitted election change.
Health Insurance Portability and Accountability Act of 1996 (HIPAA)	If your employer's group health plan(s) are subject to HIPAA's special enrollment provision, the IRS regulations regarding HIPAA's special enrollment rights provide that an IRC § 125 cafeteria plan may permit you to change a salary reduction election to pay for the extra cost for group health coverage, on a pre-tax basis, effective retroactive to the date of the CIS event, if you enroll your new dependent within 30 days of one of the following CIS events: birth, adoption or placement for adoption. Note that a Medical Expense FSA is not subject to HIPAA's special enrollment provisions if it is funded solely by employee contributions.
Family and Medical Leave Act (FMLA) Leave of Absence	Election changes may be made under the special rules relating to changes in elections by employees taking FMLA leave. Contact your employer for additional information.

* Does not apply to a Medical Expense FSA plan.

† Does not apply to a Dependent Care FSA plan.

IMPORTANT INFORMATION ABOUT YOUR COBRA CONTINUATION COVERAGE RIGHTS

What is continuation coverage?

Federal law requires that most group health plans, including Medical Flexible Spending Accounts (MFSA), give employees and their families the opportunity to continue their health care coverage when there is a "qualifying event" that would result in a loss of coverage under an employer's plan. Depending on the type of qualifying event, "qualified beneficiaries" can include the employee covered under the group health plan, a covered employee's spouse, and dependent children of the covered employee.

Continuation coverage is the same coverage that the Plan gives to other participants or beneficiaries under the Plan who are not receiving continuation coverage. Each qualified beneficiary who elects continuation coverage will have the same rights under the Plan as other participants or beneficiaries covered under the Plan, including special enrollment rights. Specific information describing continuation coverage can be found in the Plan's summary plan description (SPD), which can be obtained from your employer.

How long will continuation coverage last?

If you fund your MFSA entirely, you may continue your MFSA (on a post-tax basis) only for the remainder of the plan year in which your qualifying event occurs, **if** you have not already received, as reimbursement, the maximum benefit available under the MFSA for the year. For example, if you elected a maximum MFSA benefit of \$1,000 for the plan year and have received only \$200 in reimbursement, you may continue your MFSA for the remainder of the plan year or until such time that you receive the maximum MFSA benefit of \$1,000.

Continuation coverage will be terminated before the end of the maximum period if any required premium is not paid on time.

How can you elect continuation coverage?

Each qualified beneficiary has an independent right to elect continuation coverage. For example, both the employee and the employee's spouse may elect continuation coverage, or only one of them. Parents may elect to continue coverage on behalf of their dependent children only. A qualified beneficiary must elect coverage by the date specified on the COBRA Election Form. Failure to do so will result in loss of the right to elect continuation coverage under the Plan. A qualified beneficiary may change a prior rejection of continuation coverage any time until that date.

In considering whether to elect continuation coverage, you should take into account that a failure to continue your group health coverage will affect your future rights under federal law. First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage, and election of continuation coverage may help you not have such a gap. Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose such pre-existing condition exclusions if you do not get continuation coverage for the maximum time available to you. Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's employer) within 30 days after your group health coverage ends because of the qualifying event listed above. You will also have the same special enrollment right at the end of continuation coverage if you get continuation coverage for the maximum time available to you.

How much does continuation coverage cost?

Generally, each qualified beneficiary may be required to pay the entire cost of continuation coverage. For MFSA, the cost for continuation of coverage is a monthly amount calculated and based on the amount you were paying via pre-tax salary reductions before the qualifying event.

When and how must payment for continuation coverage be made?

First payment for continuation coverage

If you elect continuation coverage, you do not have to send any payment for continuation coverage with the COBRA Election Form. However, you must make your first payment for continuation coverage **within 45 days after the date of your election**. (This is the date the Election Notice is post-marked, if mailed.) If you do not make your first payment for continuation coverage within that 45 days, you will lose all continuation coverage rights under the Plan.

Your first payment must cover the cost of continuation coverage from the time your coverage under the Plan would have otherwise terminated up to the time you make the first payment. You are responsible for making sure that the amount of your first payment is enough to cover this entire period. You may contact FBMC to confirm the correct amount of your first payment.

Instructions for sending your first payment for continuation coverage will be shown on your COBRA Election Notice/Form.



Periodic Payments for Continuation Coverage:

After you make your first payment for continuation coverage, you will be required to pay for continuation coverage for each subsequent month of coverage. Under the Plan, these periodic payments for continuation coverage are due on the **first day of each month**. If you make a periodic payment on or before its due date, your coverage under the Plan will continue for that coverage period without any break.

Instructions for sending your periodic payments for continuation coverage will be shown on your COBRA Election Notice/Form.

Grace Periods for Periodic Payments:

Although periodic payments are due on the dates shown above, you will be given a grace period of 30 days to make each periodic payment. Your continuation coverage will be provided for each coverage period as long as payment for that coverage period is made before the end of the grace period for that payment. If you pay a periodic payment later than its due date but during its grace period, your coverage under the Plan will be suspended as of the due date and then retroactively reinstated (going back to the due date) when the periodic payment is made. This means that any claim you submit for benefits while your coverage is suspended may be denied and may have to be resubmitted once your coverage is reinstated.

If you fail to make a periodic payment before the end of the grace period for that payment, you will lose all rights to continuation coverage under the Plan.

For More Information

This COBRA Q&A section does not fully describe continuation coverage or other rights under the Plan. More information about continuation coverage and your rights under the Plan is available in your summary plan description or from FBMC. You can get a copy of your summary plan description from: FBMC.

Keep Your Address Updated

In order to protect your family's rights, you should keep your employer informed of any changes in the addresses of family members. You should also keep a copy, for your records, of any notices you send to the Commonwealth of Kentucky.



Social Security

Social Security consists of two tax components: the FICA or OASDI component (the tax for old-age, survivors' and disability insurance) and the Medicare component. A separate maximum wage to which the tax is assessed applies to both tax components. There is no maximum taxable annual wage for Medicare. The maximum taxable annual wage for FICA is subject to federal regulatory change. If your annual salary after salary reduction is below the maximum wage cap for FICA, you are reducing the amount of taxes you pay and your Social Security benefits may be reduced at retirement time.

However, the tax savings realized through the Flexible Benefits Plan generally outweigh the Social Security reduction. Call FBMC Customer Service at 1-800-342-8017 for an approximation.

FBMC Privacy Notice

4/14/03

This notice applies to products administered by Fringe Benefits Management Company and its wholly-owned subsidiaries (collectively "FBMC"). FBMC takes your privacy very seriously. As a provider of products and services that involve compiling personal—and sometimes, sensitive—information, protecting the confidentiality of that information has been, and will continue to be, a top priority of FBMC. This notice explains how FBMC handles and protects the personal information we collect. Please note that the information we collect and the extent to which we use it will vary depending on the product or service involved. In many cases, we may not collect all of the types of information noted below. FBMC's privacy policy is as follows:

- I. We collect only the customer information necessary to consistently deliver responsive services. FBMC collects information that helps serve your needs, provide high standards of customer service and fulfill legal and regulatory requirements. The sources and types of information collected generally varies depending on the products or services you request and may include:
 - Information provided on enrollment and related forms - for example, name, age, address, Social Security number, e-mail address, annual income, health history, marital status and spousal and beneficiary information.
 - Responses from you and others such as information relating to your employment and insurance coverage.
 - Information about your relationships with us, such as products and services purchased, transaction history, claims history and premiums.
 - Information from hospitals, doctors, laboratories and other companies about your health condition, used to process claims and prevent fraud.
- II. Under HIPAA, you have certain rights with respect to your protected health information. You have rights to see and copy the information, receive an accounting of certain disclosures of the information and, under certain circumstances, amend the information. You also have the right to file a complaint with the Plan in care of FBMC's Privacy Officer or with the Secretary of the U.S. Department of Health and Human Services if you believe your rights under HIPAA have been violated.

Additional information that describes how medical information about you may be used and disclosed and how you can get access to this information is provided electronically on our Web site: www.fbmc-benefits.com. You have a right to a paper copy at any time. Contact FBMC Customer Service at 1-800-342-8017.

- III. We maintain safeguards to ensure information security. We are committed to preventing unauthorized access to personal information. We maintain physical, electronic and procedural safeguards for protecting personal information. We restrict access to personal information to those employees, insurance companies and service providers who need to know that information to provide products or services to you. Any employee who violates our Privacy Policy is subject to disciplinary action.

- IV. We limit how, and with whom, we share customer information. We do not sell lists of our customers, and under no circumstances do we share personal health information for marketing purposes. With the following exceptions, we will not disclose your personal information without your written authorization. We may share your personal information with insurance companies with whom you are applying for coverage, or to whom you are submitting a claim. We also may disclose personal information as permitted or required by law or regulation. For example, we may disclose information to comply with an inquiry by a government agency or regulator, in response to a subpoena or to prevent fraud.

We will provide our Privacy Notice to current customers annually and whenever it changes. If you no longer have a customer relationship with us, we will still treat your information under our Privacy Policy, but we will no longer send notices to you. In this notice of our Privacy Policy, the words "you" and "customer" are used to mean any individual who obtains or has obtained an insurance, financial product or service from FBMC that is to be used primarily for personal or family purposes.

Notice of Administrator's Capacity

PLEASE READ: This notice advises Flexible Spending Account participants of the identity and relationship between the Commonwealth of Kentucky and its Contract Administrator, Fringe Benefits Management Company (FBMC). FBMC is not an insurance company. FBMC has been authorized by your employer to provide administrative services for the Flexible Reimbursement Account plans offered herein. FBMC will process claims for reimbursement promptly. In the event there are delays in claims processing, you will have no greater rights in interest or other remedies against FBMC than would otherwise be afforded to you by law.

Written Certification

When enrolling in either or both FSAs, written notice of agreement with the following will be required:

- I will only use my FSA to pay for IRS-qualified expenses and only for my IRS-eligible dependents
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s) before seeking reimbursement from my FSA
- I will not seek reimbursement through any additional source and
- I will collect and maintain sufficient documentation to validate the foregoing.





The Personnel Cabinet does not discriminate on the basis of race, color, religion, national origin, sex, age, disability, sexual orientation, gender identity, ancestry or veteran status.

Contract Administrator
Fringe Benefits Management Company
P.O. Box 1878 • Tallahassee, Florida 32302-1878
Customer Service 1-800-342-8017 • 1-800-955-8771 (TDD)
www.fbmc-benefits.com

Information contained herein does not constitute an insurance certificate or policy.
Certificates will be provided to participants following the start of the plan year, if applicable.